Long Road Ahead

In December 2009, the U.S. labor market completed its second year of widespread job losses. Employment peaked with 138.2 million payroll jobs in December 2007. More than eight million jobs have been shed through December 2009, a reduction of 5.8 percent. Since WWII, there have been 11 recessions in the U.S. The most severe, (prior to the current recession, in terms of job loss), began in November 1948 and recorded 5.2 percent job loss from peak employment.

In the current, extraordinarily difficult, labor market, about 15.3 million people are unemployed. The unemployment rate has been about 10 percent for several months; not quite as high as the post-WWII record of 10.8 percent reached in the 1981 recession.

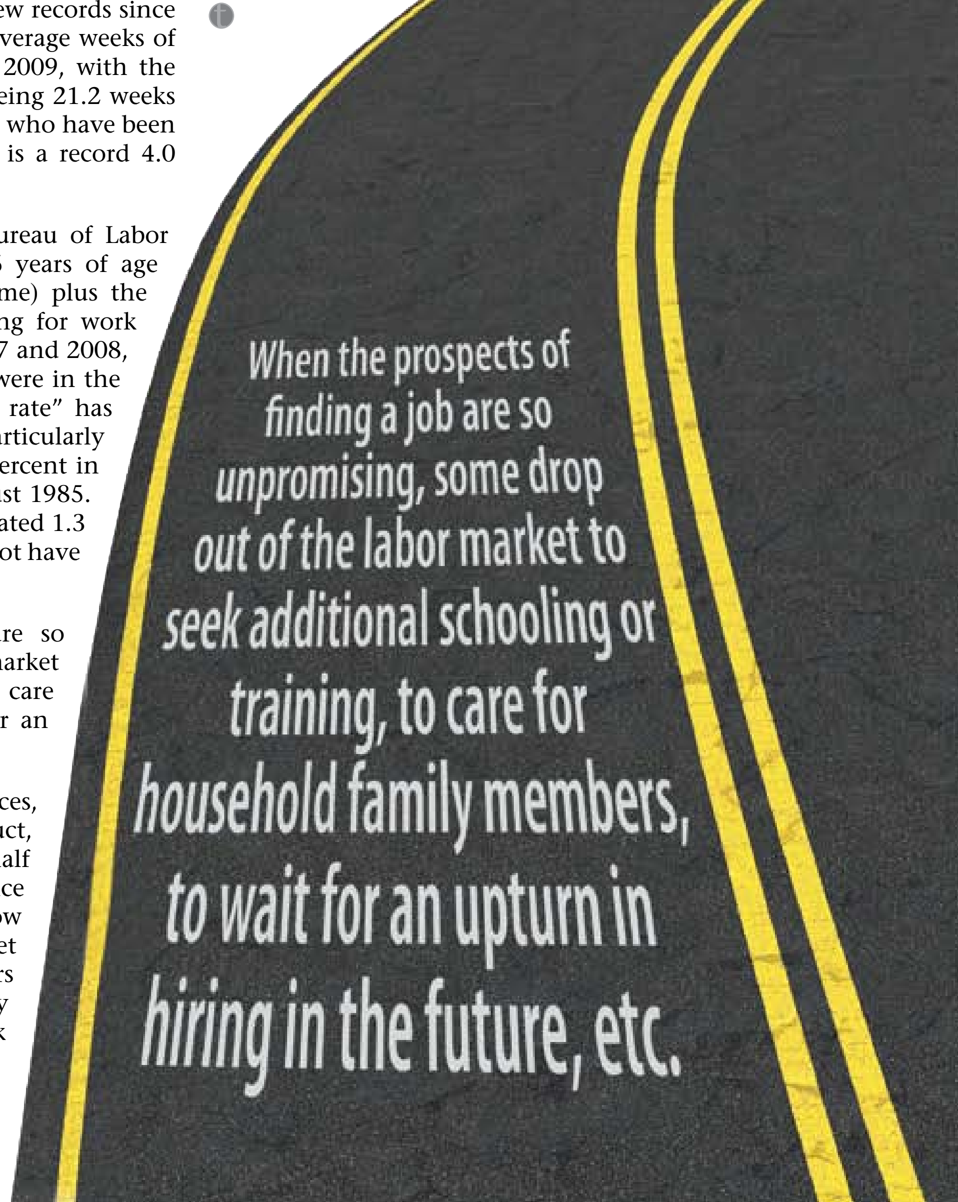
The duration of unemployment is setting new records since the statistic was first tracked in 1948. The average weeks of unemployment rose to 29.1 by December 2009, with the previous high during any other recession being 21.2 weeks in July 1984. There were 6.1 million workers who have been unemployed for half a year or more. This is a record 4.0 percent of the labor force.

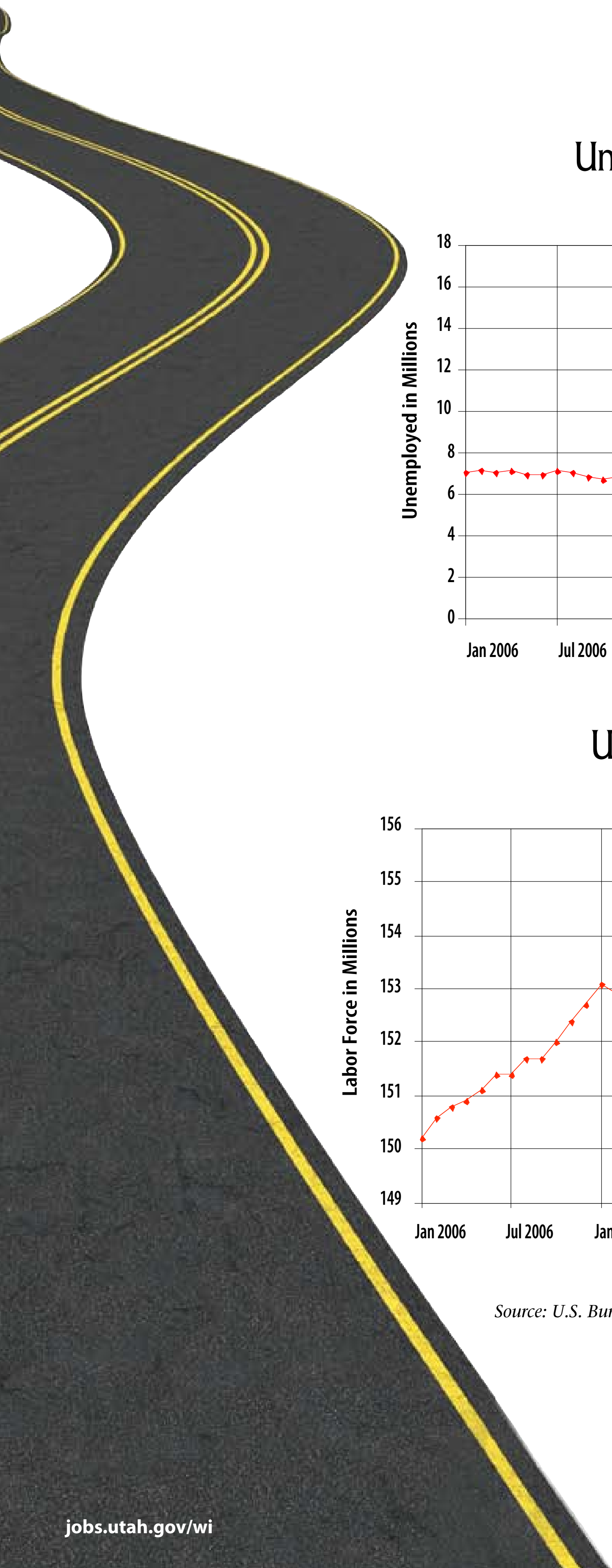
The labor force, as defined by the U.S. Bureau of Labor Statistics (BLS), consists of all civilians 16 years of age and older who have a job (full or part-time) plus the unemployed—who must be actively looking for work during the previous four weeks. During 2007 and 2008, about 66 percent of persons 16 and above were in the labor force. This “labor force participation rate” has been declining over the past year or so, particularly in the last half of 2009, dropping to 64.6 percent in December 2009; the lowest level since August 1985. From July 2009 to December 2009, an estimated 1.3 million people left the labor force. They do not have jobs and are not actively seeking work.

When the prospects of finding a job are so unpromising, some drop out of the labor market to seek additional schooling or training, to care for household family members, to wait for an upturn in hiring in the future, etc.

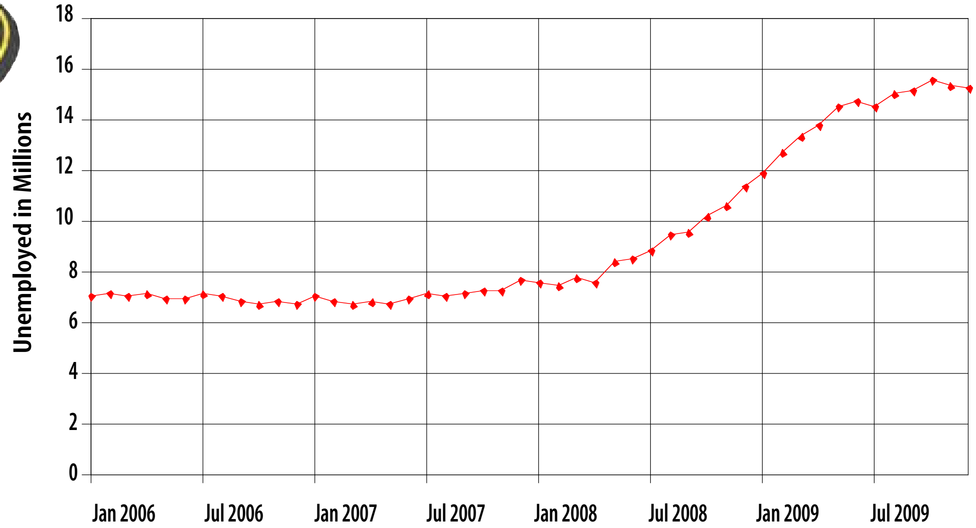
Increased production of goods and services, as measured by real gross domestic product, resumed in the U.S. during the second half of 2009, yet the labor market can experience a considerable lag before its indicators show improvement. In order for the job market to improve noticeably, increasing hours and new hiring must grow at a sufficiently rapid pace to remove the substantial slack in the labor force. Labor demand must intensify enough to increase the hours of part-time workers who desire full-time work, to absorb the natural growth of workers due to normal population increase, to account for reentrants who will join the labor force as job opportunities become more prevalent, and to hire millions of the unemployed.

It would take an average of 300,000 net new jobs each month for about three years to achieve the healthy and vibrant labor market desired. The worry now for 2010 is that any economic expansion will be anemic; leaving the labor market stressed with relatively small job increases.

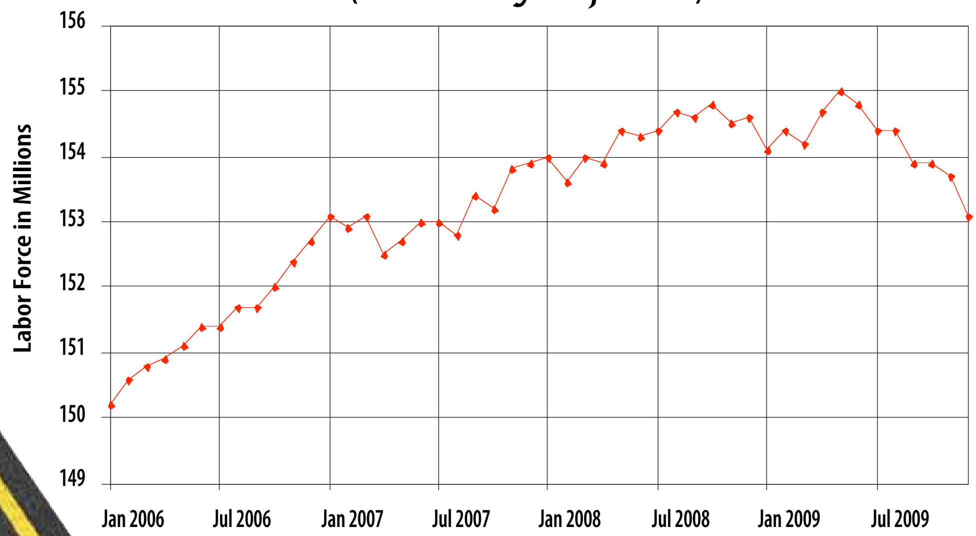




Unemployed in the United States (seasonally adjusted)



U.S. Civilian Labor Force (seasonally adjusted)



Source: U.S. Bureau of Labor Statistics.